



Department of Civil Service
Employee Benefits Division

State of Michigan

Flexible Spending Open Enrollment

Flexible Spending Open Enrollment Begins November 7, 2005!

Flexible Spending Accounts Open Enrollment for the 2006 calendar year begins **November 7, 2005**, and ends **December 1, 2005**.

Flexible Spending Accounts are among the most valuable components of your benefits package! These accounts let you pay for dependent care and eligible out-of-pocket medical expenses with pre-tax dollars, thereby reducing your cost.

Flexible Spending Accounts are convenient and easy to use. With a little up-front planning, you can enjoy significant tax savings while paying for a wide array of out-of-pocket medical and dependent care expenses.

The [2006 Flexible Benefits Plan Booklet](#) contains the information you need to determine if you want a **Medical Care** and/or **Dependent Care** Spending Account. It explains how to establish and use your account and includes worksheets to assist you with calculating your estimated expenses.

This booklet and calculators are available on-line at www.michigan.gov/mdcs. Click 'Employee Benefits' from the left menu, then select '[Flexible Spending](#)'.

All enrollments must be completed in your MI HR Self-Service account at www.michigan.gov/selfserv.

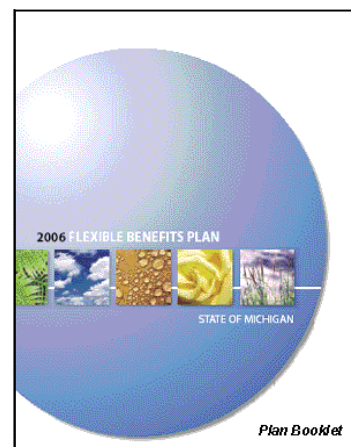
If you do not have access to the Internet or need assistance, contact the MI HR Service Center at (877) 766-6447.

Remember!

Enrollment is required if you wish to continue flexible spending for the 2006 year, even if you are participating this year.

For information or questions concerning eligible expenses or the reimbursement process, contact FBMC Customer Service at (800) 342-8017, Monday through Friday, 7:00 a.m. to 10:00 p.m.

Please read the Plan Booklet carefully and use it throughout the life of your spending account.



2006 Flexible Benefits Plan Booklet

* Non-career and SPS employees are not eligible for this benefit.

Two Easy Ways to Enroll!

On-line in MI HR Self-Service

www.michigan.gov/selfserv

By Phone through the MI HR Service Center

Toll Free: (877) 766-6447
TDD: (517) 241-8046

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Types of Flexible Spending Accounts

A **Medical Care Spending Account** can save you money on eligible out-of-pocket medical care expenses, such as doctor office co-pays, dental and medically needed orthodontia co-pays, prescription co-pays, health insurance deductibles, vision expenses not covered by insurance, and some over-the-counter drugs such as cold and allergy medications, pain relievers and antacids.



A **Dependent Care Spending Account** can be used to pay for childcare expenses while you or your spouse are at work, looking for work, or are at school; for local day camp; and for care expenses for your incapacitated dependent at any age.

Important Information About Flexible Spending Accounts

-  **New!** The Internal Revenue Service (IRS) has relaxed the “use it or lose it” rule by now allowing you to use any leftover dollars in your account by March 15th of the following year! Details about this new grace period can be found on pages 6-7 of this brochure and in the [2006 Plan Booklet](#) on the Employee Benefits website.
-  **New!** You will have until April 15, 2007, to submit your 2006 calendar year claims to FBMC.
-  **New!** For 2006, anyone who wishes to use an EZ REIMBURSE® Card for their Medical Care Spending Account will need to send an order form to FBMC by December 2—even if you had a Card during 2005.
-  **New!** Effective January 1, 2006, you will be able to access your account on the FBMC website by entering your employee ID, not your Social Security Number. The new website is www.myfbmc.com/michigan.
-  Once the open enrollment period has expired, you may not change your deduction amount unless you have a valid life event as specified by IRS regulations.
-  IRS regulations state that any amounts remaining in your account after the deadline for submission of reimbursement claims must be forfeited, so calculate your anticipated expenses conservatively.
-  If you are enrolling in both the Medical Care Spending Account and in the Dependent Care Spending Account, you must do so during the same MI HR Self-Service Enrollment session. If you return to MI HR Self-Service at a later time to make changes or add to one of these enrollments, **you must re-enroll in both plans**, even if you are only changing one of them.
-  Log into MI HR Information at www.michigan.gov/selfserv for more information about Flexible Spending Accounts. MI HR Information has details about account eligibility, tax implications, contributions, claims and more!

EZ REIMBURSE® Card

The EZ REIMBURSE® Card is a debit card you can use for many of your reimbursable medical expenses. Saving money will be even easier through your Medical Care Spending Account.

This Card allows you to pay your prescription drug co-pays at a participating pharmacy directly out of your Medical Care Spending Account. You no longer have to submit documentation and wait for reimbursement of your claim.



This Card can also be used at your doctor's office, dentist's office or other health care provider if they accept MasterCard®. The only thing you have to do is submit documentation to FBMC to support the valid medical care expenses.

Details about this exciting option are available at www.michigan.gov/mdcs.

Click 'Employee Benefits' from the left menu, select 'Flexible Spending', then '[EZ REIMBURSE® Card](#)'.

EZ REIMBURSE® Card Questions & Answers

What is the EZ REIMBURSE® Card?

The EZ REIMBURSE® Card (referred to as the "Card") can be used to pay for prescriptions and eligible medical products and services. The funds will be taken directly from your Medical Care Spending Account. This means no out-of-pocket expenses for you and no waiting for reimbursement from FBMC. The EZ REIMBURSE® Card *is not a credit card*. Its use is restricted to eligible medical services and purchases associated with your Medical Care Spending Account, as governed by IRS regulations. Your Card can be used at your doctor, dentist, ophthalmologist, optometrist or other healthcare provider offices for co-pays, deductibles, and any qualified amounts not covered by insurance. As long as your healthcare facility accepts MasterCard® and you have an available balance in your account to cover your expense, your Card will be accepted.

How do I get a Card? When I enroll, will a new Card be issued to me for 2006?

When you sign up for your Medical Care Spending Account, you must also download and submit an [EZ REIMBURSE® Card Order Form](#) to FBMC if you want to use the Card for 2006. If you currently have a Card, you must submit an Order Form to FBMC (opt in), or the Card will be turned off on December 31st at midnight. If you do not want to use the Card in 2006, do not complete an order form (do not opt in) for the Card during enrollment.

You may obtain a form from MI HR or from the Employee Benefits website at www.michigan.gov/mdcs. Click 'Employee Benefits' from the left menu, then select '[Forms](#)'. The form must be submitted to FBMC by December 2, 2005. Do not discard your current cards, as these will be the Cards you use during 2006.

When is documentation needed?

You must send in documentation for any EZ REIMBURSE® Card transaction that is **not** a known co-payment or a prescription expense. You can find a chart in the [2006 Flexible Benefits Plan Booklet](#) listing the co-payments for which you do not need to send documentation. The Plan Booklet can be found at www.michigan.gov/mdcs. Select 'Employee Benefits' from the left menu then click on 'Flexible Spending'.

To assist employees in knowing when documentation is needed and when it is not, FBMC will send you a monthly statement outlining which transactions were processed and which are outstanding. Outstanding transactions appear in blue. Transactions that appear in blue on your FBMC monthly statement require your submission of substantiating documentation.

I used or received a new EZ REIMBURSE® Card from FBMC during September of 2005. Do I still need to send in an EZ REIMBURSE® Card Order Form to FBMC during open Enrollment?

Yes. You will be able to use the Card you currently have in 2005, but if you do not send in an order form, your Card will be deactivated on January 1, 2006.

I received a Card during September of 2005 and still have it but never activated it. Can I activate it now and use it for 2006?

If you received a Card in September of 2005, but did not pay a \$10 Card fee during 2005, you will be able to use the Card in 2005 but you will be charged \$10 from your 2005 account. If you want to continue to use the Card during 2006, you must send an [EZ REIMBURSE® Card Order Form](#) to FBMC during open enrollment. You will be charged an additional \$10 from your 2006 account. To avoid the additional \$10 fee, wait until after January 1, 2006 to activate your current Card.

The EZ REIMBURSE® Card Questions & Answers

What will the EZ REIMBURSE® Card cost me?

There is a \$15 annual fee for the use of the Card. The State of Michigan will pay \$5 of the Card fee; the remaining \$10 will be assessed on the first day of the plan year directly from your Medical Care Spending Account. Anyone opting in for the Card will be charged the annual non-refundable fee.

Will my dependents be able to use the EZ REIMBURSE® Card? Will they receive their own Card? Will there be additional costs?

Your dependents can use the Card. For your convenience, you will be given two Cards automatically. The additional Card is free of charge. You cannot receive more than two Cards.

I have an activated EZ REIMBURSE® Card, but find I don't use it — can I cancel my Card so I don't get charged the \$10 fee on January 1, 2006?

If you do not want to use the Card during 2006, you do not need to take any action. All participants that want to use the Card in 2006 must send in an [EZ REIMBURSE® Card Order Form](#). If you do not send this form to FBMC, your Card will be deactivated on January 1, 2006, and you will not be charged the \$10 fee for 2006.

Can I get a refund of the \$10 Card fee if I order a Card to use during 2006, but never use it?

If you send in an EZ REIMBURSE® Card Order Form to use the Card during 2006, a \$10 fee will automatically be charged to your 2006 account and IS NOT refundable.

What happens if I lose my Card?

Immediately call (800) 689-0821 and report your Card lost. You will receive replacement Cards in the mail within 5-7 business days.

Can I use the Card at medical appointments?

Yes. You can use your Card at any doctor, dentist, ophthalmologist, or other healthcare provider as long as they accept MasterCard® as a method of payment.

Does my provider have to participate with FBMC?

Your provider does not have to participate with FBMC for medical appointments, they just have to accept MasterCard®. You must use a participating pharmacy if you want to use your Card for prescriptions.

How do I know if my pharmacy is participating?

You can find a list of participating pharmacies on the Employee Benefits website at www.michigan.gov/mdcs. Click on 'Employee Benefits' from the left menu, select 'Flexible Spending', then '[Pharmacy Search](#)'. By entering your zip code, you can view a list of participating pharmacies in your area.

The EZ REIMBURSE® Card Questions & Answers

Can I use my Card to buy over-the-counter medicines?

No. Your Card will reject any expenses that do not originate from a medical provider's office or from a participating pharmacy for prescription medications.

When you purchase over-the-counter medicines, you must pay for the medicines and then submit the documentation using a regular FBMC claim form. These forms are available on either the FBMC website at www.myfbmc.com/michigan or the Employee Benefits website at www.michigan.gov/mdcs. Click 'Employee Benefits' from the left menu, then select '[Forms](#)'.

What happens if the pharmacist does not know how to process my Card?

Ask the pharmacist to call the Pharmacists' Help Desk number located on the back of your Card (800-361-4542). Remember, the EZ REIMBURSE® Card may not be swiped at the register. The prescription must first be processed through your primary prescription insurance company and then the remainder billed to the EZ REIMBURSE® Card in order to access the Medical Care Spending Account. Instructions can be found on the Employee Benefits website. Click the 'Flexible Spending' link at the left menu, then '[EZ REIMBURSE® Card: Instructions for Use At Participating Pharmacies](#)'.

How do I submit my itemized documentation after I have used my Card?

You may fax your itemized documentation to FBMC at (850) 425-4608. You may also mail your documentation to: FBMC, P.O. Box 1800, Tallahassee, FL, 32302. *It is very important that when you fax or mail your EZ REIMBURSE® Card itemized documentation, you include a completed EZ REIMBURSE® Card Transmittal Sheet.* You can download this form from either the FBMC website at www.myfbmc.com/michigan or the Employee Benefits website at www.michigan.gov/mdcs. Click 'Employee Benefits' from the left menu then select '[Forms](#)'.

If you do not send the proper documentation to FBMC, your Card will be suspended and you will be required to refund the unsubstantiated amount either through your direct payment, through substitution of your future claim submissions, or through post tax deductions taken out of your paycheck.

What happens if I do not send my itemized documentation to FBMC?

After two notifications of claims needing documentation on the monthly statements, your Card will be suspended and:

- Eligible paper claims may be used to offset any outstanding EZ REIMBURSE® Card transaction.
- If the EZ REIMBURSE® Card transaction remains outstanding, you may be subject to post tax salary deduction to reimburse the amount.

What should I do if an ineligible expense is mistakenly processed using my EZ REIMBURSE® Card?

You must immediately repay your account. This can be done by mailing to FBMC a personal check made payable to the State of Michigan, or you can submit a paper claim for another eligible expense and ask FBMC to substitute the paper claim for the ineligible transaction.

Grace Period Questions & Answers

The Internal Revenue Service approved Notice 2005-42 in May 2005. This notice permits a **grace period** of 2 months and 15 days following the end of each plan year during which unused contributions in either your Medical Care or Dependent Care Spending Account may be reimbursed for qualified expenses **incurred** during the grace period.

This means that since the State of Michigan's Spending Account plan year will end on December 31, 2006, **you may incur qualified expenses up to March 15, 2007**, and use any remaining funds from your 2006 plan year account.

The grace period should not be confused with the **run-out period** which is the period during which you may submit claims for reimbursement out of your prior plan year's account. The State of Michigan's new run-out period ends on April 15, 2007. This means that you will have until April 15, 2007, to submit claims for reimbursement for expenses for the 2006 Plan Year.

Note: The new IRS grace period ruling also applies to current 2005 participants. You will have until March 15, 2006, to incur eligible expenses for the 2005 plan year. The deadline for claims submission has been extended until April 15, 2006.

The following are some basic questions and answers to help you understand how this Revenue Notice may affect your Medical Care or Dependent Care Spending Accounts.

How does the Revenue Notice affect my Flexible Spending Account?

The IRS Revenue Notice allows you to incur qualified Flexible Spending Account expenses for the current plan year until March 15 of the following year, and to be reimbursed with remaining funds from your prior plan year's account. For example, if on January 1st you have money left in your prior plan year's account, you can incur expenses up until March 15. These expenses will be paid from your prior plan year's account until it has been exhausted.

What is a grace period?

A grace period is the 2 months and 15 days immediately following the end of the plan year, in which you or your qualified dependent can incur qualified expenses and use any remaining funds from the prior plan year's account balance. The State of Michigan's grace period is January 1 through March 15.

What is a run-out period?

A run-out period is the period of time in which a participant has to submit claims for reimbursement out of the prior plan year's account. The State of Michigan's run-out period ends April 15.

What happens to my claims during the grace period if I have a Flexible Spending Account for the previous and current year?

Claims will be paid in the order in which they are received. If you have an account balance in your prior plan year's account, and a claim is received with a date of service during the grace period, the expense will be paid from your prior plan year's account first. If the claim is larger than the prior year's account balance, the remainder will be paid from the current year account. If a claim is received at a later date, with a date of service in the prior plan year, and all funds have been paid from your prior plan year's account, the claim will not be paid.

For this reason, it is important to file claims as soon as your expenses have been incurred. This will help ensure that you maximize the use of your accounts for both plan years.

Grace Period Questions & Answers

Can I tell you which plan year I want my claims to be paid from?

Claims will be paid in the order in which they are received. You may not request a claim to be paid from a specific plan year. However, you can control the order in which you submit or file your claims. Always make sure that you submit older claims first to ensure that funds are paid from the previous plan year first.

How does this change affect the use of my EZ Reimburse® Card?

Expenses will be paid in the order in which they are incurred. If you have an account balance in your prior plan year's account, an EZ REIMBURSE® Card transaction will be applied against the previous year's balance.

How should I calculate my future annual contributions for my flexible spending accounts?

You should continue to use *only the calendar year (12 months)* for calculating expenses for your flexible spending accounts. The new Revenue Ruling is intended to provide a safety net for you only if you have not incurred all of your anticipated expenses during the previous plan year.

What happens if I do not submit my reimbursement claim for the prior plan year by April 15?

If a reimbursement request is not submitted by the April 15 deadline for the prior year's account, funds will be forfeited.

Grace Period Examples

Example 1: First In, First Out Paper Claim

Your 2006 Medical Care or Dependent Care Spending Account balance is \$100 and your 2007 account balance is \$1,000. You incur an eligible \$50 expense on 1/15/07 and submit a paper claim on 1/20/07. The claim will be paid out of your 2006 account, leaving a balance of \$50 in your 2006 account and a balance of \$1,000 in your 2007 account.

You then submit a paper claim for a \$50 expense dated 11/15/06. \$50 is paid out of your 2006 account leaving a \$0 balance in your 2006 account and a \$1,000 balance in your 2007 account.

Example 2: First In, First Out EZ REIMBURSE® Card and Run-out Claim

Your 2006 Medical Care Spending Account balance is \$100 and your 2007 Medical Care Spending Account balance is \$1,000. You swipe your EZ REIMBURSE® Card for a \$150 medical expense on 1/3/07. The system will automatically split the payment. \$100 will be paid out of your 2006 account and \$50 will be paid out of your 2007 account. Your balances will then be \$0 in your 2006 account and \$950 in your 2007 account.

You then submit a paper claim for expenses dated 11/15/06 in the amount of \$50. The claim is **rejected** since the 2006 account is out of funds.

Therefore, it is very important that you submit your paper claims/receipts as early as possible. Claims that are incurred during the grace period in 2007, and paid out of the 2006 account balance, including debit card transactions, will not be reversed to pay a claim incurred during 2006 but not submitted prior to a grace period claim.

State of Michigan
MI HR Service Center

Mailing Address:
P.O. Box 30002
Lansing, MI 48909

Toll Free: (877) 766-6447

TDD (for the hearing impaired):
(517) 241-8046

Fax: (517) 241-5892

**MI HR Self-Service & MI HR
Information**

www.michigan.gov/selfserv

How Do I Enroll?

Enrollment can be completed in your MI HR Self-Service account at www.michigan.gov/selfserv. After logging in to your account, click the 'Flexible Spending' button at the top of your screen. Links to Flexible Spending plan information and instructions on how to enroll are available on this page.

If you do not have access to a computer, contact the MI HR Service Center toll free at (877) 766-6447 to enroll by telephone, Monday through Friday from 7:00 a.m. to 6:00 p.m.

Access to your MI HR Self-Service account is available seven days a week via the Internet/intranet, except during regular scheduled maintenance. The maintenance schedule is available to view on the MI HR Gateway page at www.michigan.gov/selfserv.

If you have lost or forgotten your MI HR Self-Service password, you can reset it at www.michigan.gov/selfserv by selecting the '[Password Help](#)' link, or email Self-Serv-Support@michigan.gov.



Your Flexible Spending Open Enrollment Checklist

- Review the [2006 Flexible Benefits Plan booklet](#) for plan information and changes.
- Complete the [FSA Worksheet\(s\)](#) (available in the Plan booklet) to determine what my Medical Spending and/or Dependent Care expenses will be for 2006. OR, if I already know my 2006 contribution, calculate my bi-weekly deductions using the formula below.
$$\frac{\$ \text{total contribution for 2006}}{\text{number of desired pay periods}} = \$ \text{bi-weekly amount } (\$2 \text{ minimum})$$
- Complete enrollment on-line in MI HR Self-Service **OR** contact the MI HR Service Center at (877) 766-6447.
- Print and retain my confirmation statement. Confirmation statements for enrollments completed through the MI HR Service Center will be mailed to my home address on record.
- If I want an EZ REIMBURSE® Card, mail or fax my [EZ REIMBURSE® Card Order Form](#) by December 2, 2005 to:

FBMC
P.O. Box 1878
Tallahassee, FL 32302-1878
(850) 425-6220 (Fax)
- When my FBMC confirmation statement arrives, compare it to my Self-Service Flexible Spending confirmation statement.
- Review my January 12, 2006, payroll earnings statement to check for my Flexible Spending deductions.

If you need assistance with this process, please contact the MI HR Service Center.

Toll free: (877) 766-6447 TDD for the hearing impaired: (517) 241-8046